

# SPRING OUTLOOK

1973

## LIVESTOCK



Agriculture  
Canada

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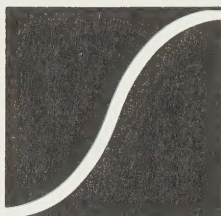






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## **SPRING OUTLOOK LIVESTOCK APRIL, 1973**

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## Foreword

The 1973 Spring Outlook statements are in two sections. The first section dealt with the principal field crops and fruit and vegetable crops and was issued the first week of March. This section on livestock and animal products updates the outlook provided at the Canadian Agricultural Outlook Conference last November.

We acknowledge with thanks the cooperation of members of Statistics Canada, the Production and Marketing Branch of this Department and other Departments and agencies including the Department of Industry, Trade and Commerce and the Canadian Dairy Commission.

The analyses are based on information available to mid-March. Further statements are planned for the early summer.


G.J. Dobson, Director,  
Marketing and Trade Division,  
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Agriculture Canada,  
Ottawa, April, 1973.

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G. J. Doherty, Director,  
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Agriculture Canada,  
Ottawa, April 1973.





# OUTLOOK SUMMARY

In 1973, fed cattle prices will average above 1972 and beef prices will also be higher. For 1973, a further increase in farm cash income from the sale of cattle and calves can be expected.

Canadian hog prices in 1973 can be expected to average above 1972. Slaughterings will likely average below year earlier levels in the first half of 1973 and above in the second half. A further increase in farm cash income from hogs can also be expected.

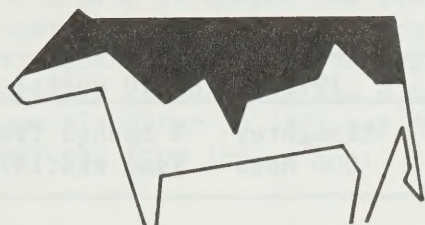
Slaughter lamb prices in 1973 should average above 1972 levels. Wool prices are expected to remain strong.

Broiler chicken production throughout the summer of 1973 is likely to exceed last year's production. Prices should remain firm with an increase in stocks. Broiler turkey production is likely to increase 16 percent during March to June 1973 over the 1972 period. Marketings of heavy hen turkeys are expected to decline slightly and those of heavy toms will be up nearly five percent in the next 5-6 months. Prices for heavy hen turkeys and heavy toms will remain firm and perhaps advance. Egg production is expected to be from four to eight percent in excess of table egg needs until June. Prices are likely to be steady to weak until June and should strengthen in June and August.

Canadian milk production in 1973 will likely increase from 1972 levels. Sales of fluid milk and cream for fresh consumption are expected to continue to expand. More milk will be available for the manufacture of butter and skim milk powder. Cheddar cheese exports are likely to decline, but exports of skim milk powder are expected to be greater.







# BEEF

A.M. Boswell

The highlight of the Canadian beef industry during 1972 was the dramatic increase in slaughter and feeder cattle prices. For the year 1973, fed cattle prices will average above 1972 and beef supplies will also be higher.

In Canada, beef production is becoming increasingly important in the agricultural economy. In 1971, farm cash income from cattle and calves at \$1,080 million exceeded the one billion dollar level for the first time. In 1972, gross sales, according to Statistics Canada, increased to an estimated \$1,198 million, nearly one-quarter of farm cash income in Canada. For the year 1973, a further increase in farm cash income from the sale of cattle and calves can be expected.

## Beef Output Up Moderately in 1972

Canada's federally inspected cattle slaughter in 1972 was up 3.3 percent from 1971 (Table 1). Because of a three pound increase in carcass weight, beef output in pounds rose slightly more, increasing 3.8 percent. The sharp drop in Quebec slaughter in 1972 was mainly due to a 16 percent reduction in cow slaughter.

In the U.S., federally inspected cattle slaughter in 1972 was up 2.6 percent, but total commercial slaughter (inspected plus uninspected) was up only one percent, on a head basis. However, commercial slaughter in terms of pounds was two percent higher in 1971 due to heavier carcass weights.

TABLE 1 - FEDERALLY INSPECTED CATTLE SLAUGHTER, CANADA AND THE UNITED STATES

Provinces	1972			1973 (first 10 weeks)	
	Slaughter '000 head	Change Percent	from 1971 '000 head	Slaughter '000 head	% change from same wks.1972
Maritimes	38.4	+ 3.9	+ 1.4	7.4	- 4.7
Quebec	163.1	-17.8	- 35.4	30.8	+20.2
Ontario	925.4	+ 1.1	+ 10.3	166.9	+ 2.8
Total EAST	1,126.9	- 2.1	- 23.7	205.1	+ 4.8
% North America	(3.2)			(3.1)	
Manitoba	435.7	+ 2.4	+ 10.4	89.0	+14.8
Saskatchewan	171.0	+ 9.8	+ 15.3	31.4	+ 4.9
Alberta	1,112.3	+ 9.5	+ 96.4	219.0	+ 3.0
British Columbia	32.7	-17.1	- 6.7	7.4	- 5.7
Total WEST	1,751.7	+ 7.0	+115.4	346.8	+ 5.8
% North America	(5.0)			(5.2)	
CANADA	2,878.6	+ 3.3	+ 91.7	551.9	+ 5.4
% North America	(8.2)			(8.3)	
UNITED STATES	32,249.9	+ 2.6	+830.9	6,128.4	2.6
NORTH AMERICA	35,128.5	+ 2.7	+922.6	6,680.3	2.8

For the first ten weeks of 1973, federally inspected cattle slaughter was up 5.4 percent in Canada and 2.6 percent in the U.S., but for the two countries combined only 2.8 percent from the corresponding weeks in 1972. In both countries, average carcass weights during early 1973 are very close to year earlier levels.

It is pertinent to point out that in 1972, Canada's beef slaughter accounted for 8.2 percent of the total slaughter for both Canada and the U.S. combined. The movement of beef prices at the producer, wholesale, and retail levels in Canada directly reflects the level of beef supplies and also the forces of consumer demand in the North American market.

In Canada, the composition of the beef kill with respect to female slaughter shows that in 1972 compared with 1968-69, cow and heifer slaughter were both down, by eleven and four percent respectively (Table 2). With the exception



of a drop in Quebec cow slaughter in 1972, nearly all of the reduction in female slaughter since 1968-69 has occurred in Western Canada. In the U.S., commercial cow slaughter in 1972 was down six percent from 1971.



TABLE 2 - CANADA, FEDERALLY INSPECTED SLAUGHTER OF COWS AND HEIFERS, 1966-69 to 1972

	1968-69	1970	1971	1972	% Change 1968-69 to 1972
- number -					
Cows	684,018	578,656	627,662	606,693	-11
Heifers	643,816	567,982	606,419	618,361	- 4
Total	1,327,834	1,146,638	1,234,081	1,225,054	- 8

In general, cow slaughter in recent years in both Canada and the U.S. has been low because of the buildup in the beef cow herd.

#### Live Beef and Veal Trade

Nearly all of Canada's live trade in beef and veal is with the United States. However, in 1972 exports of live veal calves to Western Europe increased sharply.

In 1972, total exports of live veal calves (200 pounds or less) to all countries increased to 144,367 head or \$9.8 million (Table 3). The major outlet was the U.S. at 127,851 head followed by Italy (5,785 head) Belgium-Luxemburg (4,352 head), Netherlands (2,915 head) and Greece (2,128 head). The sharp increase in the movement of live veal calves from Canada to Western Europe is due to the general shortage of calves in European countries for beef feeding purposes.

Exports of feeder cattle (200 to 700 pounds) to the U.S. increased to 58,688 head in 1972 compared with only 16,990 head in 1971. This was the highest annual level since 1968. The increased movement to the U.S. reflects the relative scarcity of feedlot replacements in that country. Exports of 700 pound and over are mainly low grade cows but include some heavy feeder cattle.

TABLE 3 - CANADA: EXPORTS OF LIVE CATTLE FOR BEEF AND VEAL PURPOSES,  
1968 to 1972

Year	Less than 200 lb.			200 to 700 lb.			700 lb and over		
	U.S.A.	All Countries		U.S.A.	All Countries		U.S.A.	All Countries	
	No.	No.	\$000	No.	No.	\$000	No.	No.	\$000
1968	137,357	137,566	3,910	112,550	112,740	12,800	58,919	59,300	14,102
1969	126,700	126,926	4,199	13,583	13,745	1,930	42,753	43,214	12,240
1970	126,950	127,076	5,759	6,784	7,024	1,022	23,982	24,481	7,700
1971	124,226	125,290	6,069	16,990	17,085	2,247	14,684	15,154	4,581
1972	127,851	144,367	9,777	58,688	60,604	9,985	18,844	19,659	6,843

Source: Trade of Canada, Statistics Canada.

Canadian imports of live beef cattle from the U.S. are nearly all for slaughter. Over the years, imports of this category have not been large but commencing in 1970 rose to high levels:

Year	1968	1969	1970	1971	1972
Number	2,005	2,151	46,596	84,326	66,498
\$000	545	458	12,904	22,032	23,798

Source: Trade of Canada, Statistics Canada.

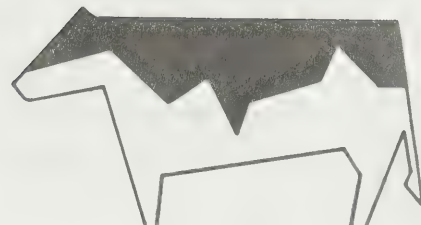
#### Dressed Beef and Veal Trade

With respect to Canada's dressed beef trade, there should be greater recognition of the fact that there are really two distinct classes of beef: (1) low grade beef for manufacturing purposes and (2) high grade fed beef primarily from feedlots and commonly referred to as "table beef". Basically, Canada's dressed beef trade, fresh or frozen is largely in boneless beef for manufacturing purposes. However, a small but upward trend in imports of high quality fed beef cuts from the U.S. has developed since 1970.

Canada's exports of dressed beef fell to 67.6 million pounds in 1972 compared with 87 million pounds in 1971 (Table 4). However, imports increased to 144.5 million pounds in 1972, compared with 115.6 million in 1971, an increase of 25 percent. In the U.S., total beef and veal imports in 1972 increased to 1,481 million pounds (product), 13 percent above 1971.



Most of Canada's dressed beef exports are to the U.S. in boneless form followed by a much smaller volume of exports to countries in the Caribbean region. Canada's imports are largely in boneless form with the Oceanic (Australia and New Zealand) countries the main source, followed by the U.S. as reported under "others" in Table 4.



Imports from the U.S. totaled 15.4 million pounds in 1970 and for 1972 increased to 38.3 million pounds. The increase is largely the result of an increasing movement of fed beef, primarily in the form of cuts, moving into Canada's hotel-restaurant-institutional trade.

TABLE 4 - CANADA'S DRESSED BEEF AND VEAL TRADE WITH ALL COUNTRIES  
1968 to 1972 a/ (Product Weight)

Year	Exports from Canada			Imports to Canada			Canada's Trade Balance
	U.S.A.	Others	Total	Oceanic	Others	Total	
- thousand of pounds -							
1968	47,482	6,265	53,747	17,301	16,565	33,866	+19,881
1969	45,910	4,953	50,863	91,391	14,206	105,597 <sup>b/</sup>	-54,734
1970	83,548	6,671	90,219	108,119	15,454	123,573 <sup>b/</sup>	-33,354
1971	80,354	6,621	86,975	87,927	27,710	115,637	-28,662
1972	58,841	8,800	67,641	106,215	38,327	144,542	-76,901
1972	37,531	4,154	41,685	62,520	32,690	95,210	-53,525
(\$000)							

Source: Trade of Canada, Statistics Canada.

<sup>a/</sup> Includes fresh or frozen and cured, excludes imports of corned beef canned which totaled 11.5 million pounds in 1972 at \$7.2 million compared with 8.1 million pounds in 1971 at \$4.8 million. Statistics Canada shows no canned beef exports.

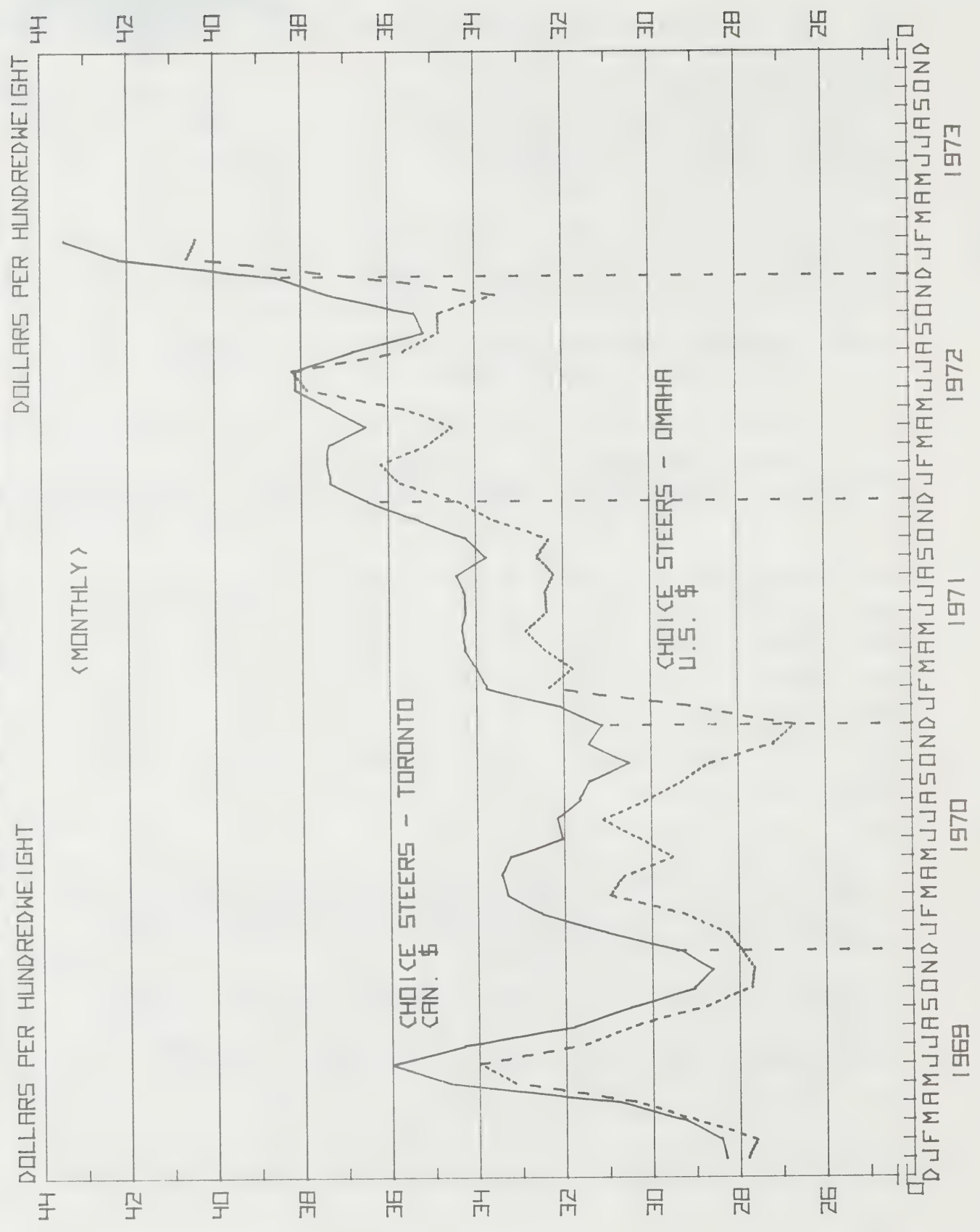
<sup>b/</sup> Excludes imported beef for re-export from Oceanic countries, which amounted to an estimated 20.5 million pounds in 1970 and 12.8 million pounds in 1969. These re-exports are included in official Canadian import statistics but are excluded in official export data.

#### Fed Cattle Prices

In both Canada and the U.S., fed cattle prices in 1972 have shown a strong increase over 1971, especially in view of increased slaughter and a higher

# PRICE PER HUNDREDWEIGHT OF CHOICE STEERS AT TORONTO AND OMAHA

FIGURE 1





# PRICE OF GOOD FEEDER & CHOICE STEERS IN CALGARY

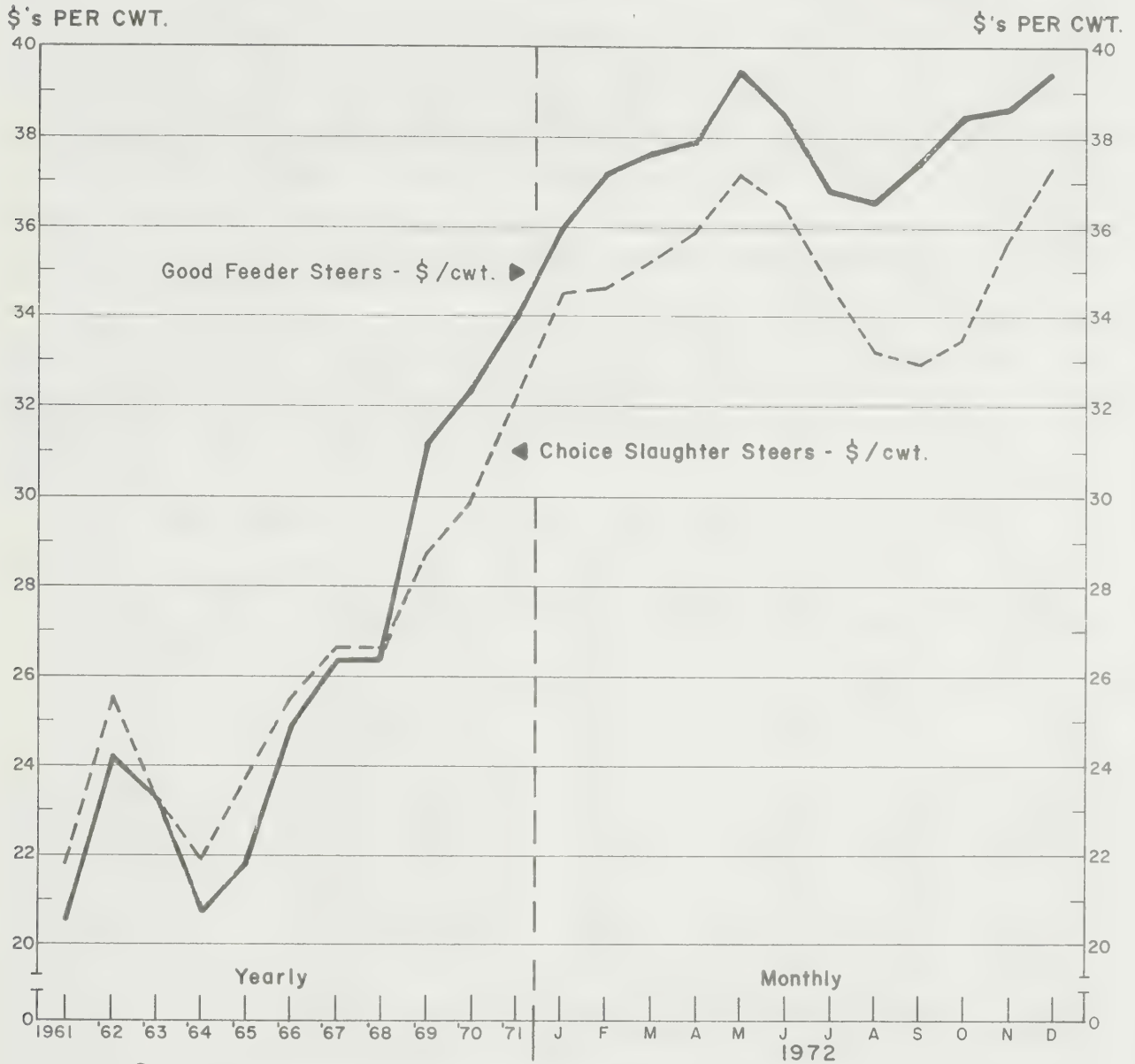


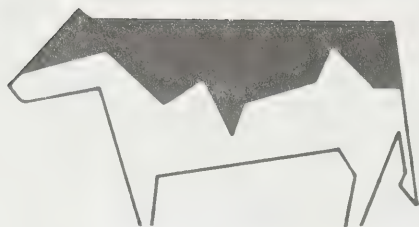
FIGURE 2



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level of beef imports to North America. An exceptionally strong demand for beef along with less pork have been key factors behind the price advance.

For 1972, choice steers at Toronto averaged \$37.20 and at Omaha \$35.83 per cwt. (Table 5). With the exception of a slight drop in 1968, choice steer prices have now increased eight consecutive years since 1964 when Toronto averaged \$24.05 per cwt. The increases in choice steer prices have been associated with increased beef supplies in North America, that is higher slaughter at heavier weights and a general increase in imports of beef and veal.

TABLE 5 - PRICES FOR CHOICE STEERS AT TORONTO AND OMAHA BY MONTHS, 1971 to 1973.

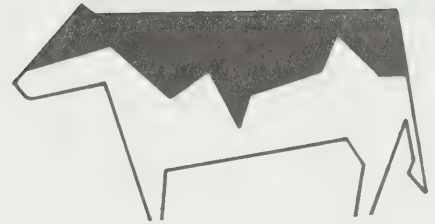
	Choice Steers, Toronto					Choice Steers, Omaha				
	1971	1972	1973 <sup>1</sup>	\$ Change		1971	1972	1973	\$ Change	
				1971	1972				1971	1972
				-72	-73				-72	-73
	Cdn. \$/cwt live					U.S. \$/cwt live				
January	32.07	37.33	42.19	5.26	4.86	29.11	35.74	40.62	6.63	4.88
February	33.77	37.40	43.45	3.63	6.05	32.23	36.19	43.35	3.96	6.16
March	34.00	37.36	45.10 <sup>2</sup>	3.36		31.81	35.13	45.60 <sup>2</sup>	3.32	
April	34.26	36.53		2.27		32.44	34.53		2.09	
May	34.33	37.31		2.98		32.88	35.66		2.78	
June	34.25	38.13		3.88		32.39	37.88		5.49	
July	34.27	38.12		3.85		32.44	38.21		5.77	
August	34.46	36.83		2.37		33.24	35.66		2.42	
September	33.80	35.20		1.40		32.62	34.85		2.23	
October	34.22	35.40		1.18		32.34	34.85		2.51	
November	35.31	37.28		1.97		33.58	33.56		-0.02	
December	36.47	38.55		2.08		34.40	36.79		2.39	
Year	34.30	37.20		2.90		32.42	35.83		3.41	

<sup>1</sup>For 1973, Choice steer prices replaced by the price for grade A1, and A2 steers combined.

<sup>2</sup>Average for first three weeks.

In both Canada and the U.S., fed cattle prices showed a strong rise in December and during the first three months of 1973. Notwithstanding the seasonal pattern for some price rise to occur, the sharp price advances apparently were fueled by unusually strong demands for beef at retail and wholesale levels.

Strong by-product prices have also been a very positive factor in higher cattle prices. In early March, 1973, the value of the hide and other by-products of a live slaughter steer was estimated at about \$4.50 per cwt. This compared with about \$2.75 a year earlier - a difference of nearly \$20 on an 1,100 pound steer. World demand for leather products has increased with greater use of leather for coats and other apparel, as well as footwear.



Before looking at cattle market prospects for the remainder of 1973, a brief review of the most recent cattle inventory developments in both Canada and the U.S. is necessary.

In Canada, total cattle and calves on farms and ranches increased 3.7 percent during 1972, with beef cows up 6.7 percent, steers and calves up 3.5 and 4.7 percent respectively (Table 6). In the U.S., the total cattle and calf inventory increased 3.5 percent during 1972, with beef cow numbers up 5.9 percent and steers and calves up 4.1 and 2.1 percent respectively.

TABLE 6 - CATTLE NUMBERS ON FARMS AND RANCHES, CANADA AND UNITED STATES

Sex and Class	Canada (December 1)			United States (January 1)		
	1971	1972	Change 1971-72	1972	1973	Change 1972-73
	000's		%	000's		%
Beef cows	3,436.5	3,665.7	+6.7	38,807	41,102	+5.9
Beef heifers <sup>a</sup>	1,061.2	1,072.1	+1.0	6,987	7,470	+6.9
Dairy cows	2,157.5	2,147.0	-0.5	11,778	11,651	-1.1
Dairy heifers <sup>a</sup>	476.7	490.7	+2.9	3,828	3,875	+1.2
Steers	1,192.5	1,234.4	+3.5	15,999	16,655	+4.1
Calves	3,727.5	3,902.8	+4.7	31,688	32,342	+2.1
Bulls	214.6	213.3	-0.6	2,376	2,465	+3.7
Other Heifers	-	-	-	6,399	6,430	+0.5
Total	12,266.5	12,726.0	+3.7	117,862	121,990	+3.5

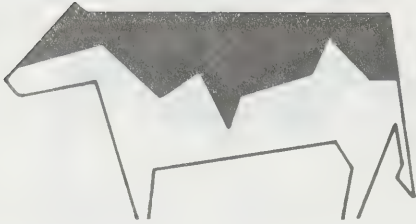
<sup>a</sup>In the U.S. for replacement purposes only.

Source: Statistics Canada, and U.S.D.A., Washington.

#### Outlook

In the U.S., the number of cattle on feed at January 1, 1973, in 23 major feeding states was estimated by the U.S.D.A. to be up by four percent from the same date one year ago. Based on the January 1, cattle inventory





(Table 6), in conjunction with January 1 estimates of cattle on feed and allowing for little change in non-fed cow and heifer slaughter, the total increase in U.S. beef supplies in 1973, compared with 1972, may be no more than about four percent.

In Canada, the increase in the number of steers and calves on farms December 1, 1972 of 3.5 and 4.7 percent points to increased cattle slaughter in 1973. In addition, female (cows and heifers) slaughter may also be expected to show some increase in 1973 particularly in cows. This reflects the heavy movement of young females into beef breeding herds since 1969. Increased placements of feeder cattle in feedlots have occurred in both the West and the East. The movement of feeder cattle by rail from Western Canada to Ontario in the period September 1972 to February 1973 is estimated to be up seven percent from the same period one year ago. All of this suggests that the probability does exist for an increase in Canada's cattle slaughter in 1973 -- probably in the range of four to six percent for low and high grade slaughter combined.

However, high feed costs during the next several months will be a major factor encouraging cattle feeders in both Canada and the U.S. to ship cattle to market as soon as the desired grade is reached. This could temper increases in fed beef production in 1973.

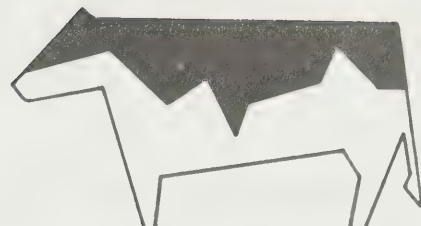
While fed cattle prices during the next few months are expected to remain above 1972 levels, there's considerable uncertainty about specific price levels. In view of the unusually strong demand growth of the past few months for beef and pork, accurate gauging of the demand is especially difficult in the very short run. The main uncertainty is the response of consumers and whether demand will be slowed significantly. Strong consumer demand has been the main factor in the record cattle prices of late.

According to many U.S. officials, some downward adjustment from late March levels of around \$46 per cwt for choice steers at Omaha appears likely. For the year 1973, choice steers at Omaha are expected to average out around \$39-\$40 per cwt compared with the 1972 average of \$35.83.

In Canada, fed cattle prices in 1972 followed the price pattern of the "basic" North American cattle price as established in the U.S. (Table 5 and Figure 1). In 1973, U.S. price levels will continue to have a major bearing on fed cattle prices in Canada. Allowing for this price relationship in Canada, along with a continued strong demand for beef and no sizeable increase in pork supplies until late 1973, there are grounds to expect strong fed cattle prices in Canada for the year 1973. However, some weakness towards year end may occur.

The level of feeder cattle prices in 1973 will continue to reflect the movement of fed cattle prices. For 1972, prices of feeder steer calves

at Calgary reached an all time yearly average of \$46.81 per cwt, compared with \$42.35 in 1971. For February this year, feeder steer calves (400-575 lb) at Calgary averaged slightly over \$50 per cwt. Many feeder cattle purchased at recent levels will need to be sold on a high fed market in order to cover all costs. Since 1968, most cattle feeders have been working against a negative price margin (Figure 2). However, with high feed costs, the negative price margin becomes more adverse to cattle feeders.



Of particular interest at this time is the trend in beef cow numbers which is the main source of potential growth in North American beef production. Assuming present estimates are fairly accurate, growth in the number of beef cows since 1970 has been quite rapid, following a period from 1965 to 1969 when little growth occurred.

#### Increased Beef Cow Numbers on Farms in Canada and the U.S.

	1970	1971	1972	1973	<u>% Change</u> <u>1970-73</u>
	' 000 head				
U.S. (January 1)	36,689	37,877	38,807	41,102	+12
Canada (December 1) <sup>1</sup>	<u>2,916</u>	<u>3,103</u>	<u>3,436</u>	<u>3,666</u>	<u>+26</u>
Total Beef Cows	39,605	40,980	42,243	44,768	+13

<sup>1</sup>Lagged one year for comparison purposes.

In both Canada and the U.S., cattle slaughter has increased slowly in the past few years (Figure 3), but the potential for increased beef production has recently been building. This could cause a sizeable increase in slaughter within the next few years. This would likely occur if expansion in the cow herd slows sharply from recent rates of increase. The increase in slaughter could place pressure on cattle prices, especially if the increase in cattle slaughter coincides with the next cyclical peak in hog slaughter. Either or both situations could occur in 1974.

However, a rapidly growing worldwide demand for beef is considered one of the factors which has helped to keep North American beef prices at their recent strong level. This growing world demand for beef must be considered in future price trends in Canada.

# COMMERCIAL CATTLE SLAUGHTER IN CANADA - UNITED STATES 1950 TO 1973

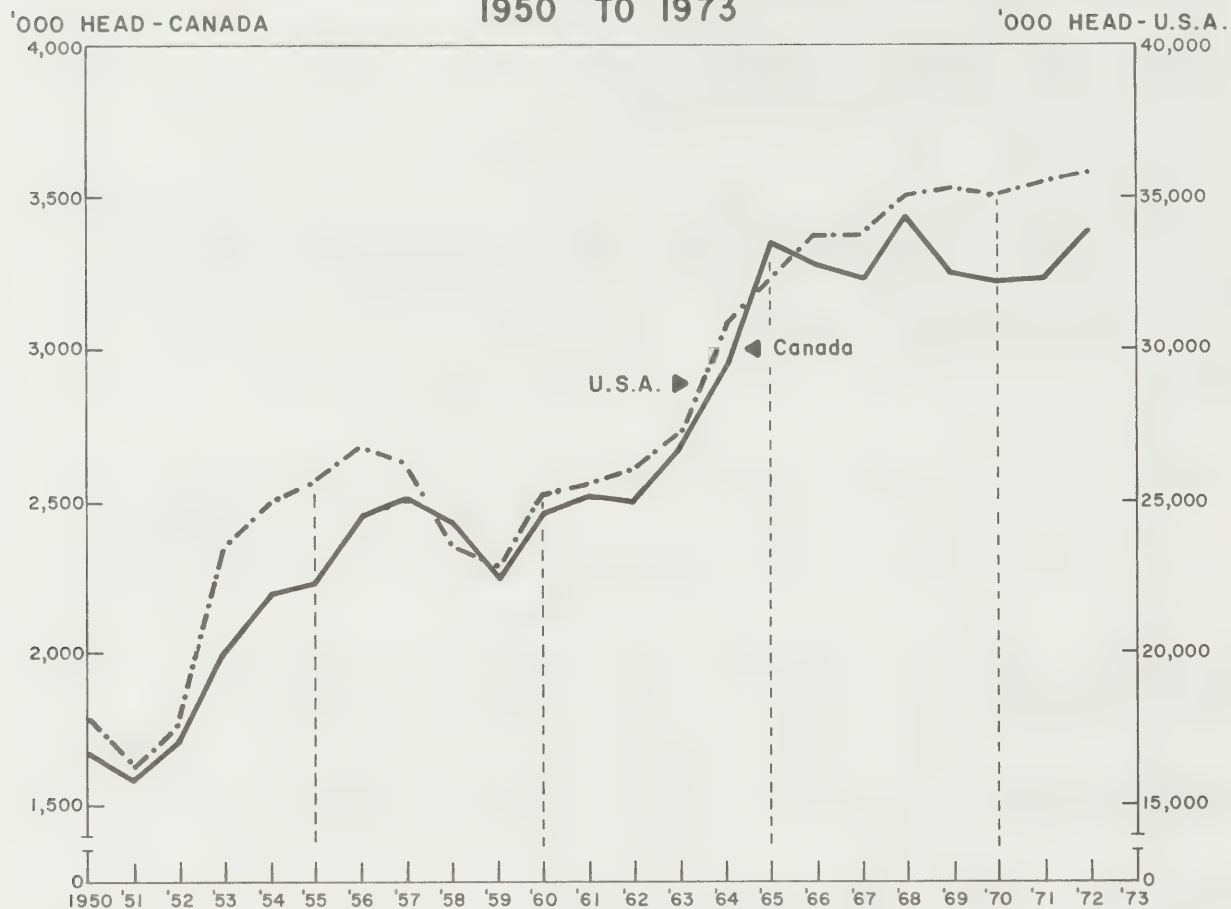


FIGURE 3



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# HOGS

A. M. Boswell

The major development in the Canadian hog industry during 1972 were the increased consumer preference for pork, the highest exports in over 20 years and the dramatic increases in hog prices which is a trend that has continued in 1973. For the year 1973, hog prices in Canada can be expected to average above 1972. Slaughtering are likely to average below year earlier levels in the first half of 1973 and above average in the second half of 1973.

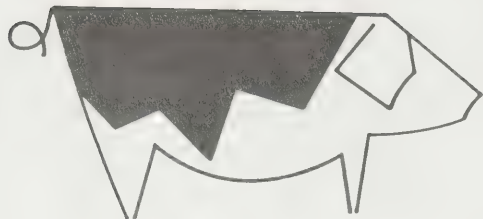
Hog production is performing an increasingly important role in the Canadian agricultural economy. For 1972, Statistics Canada estimated farm cash incomes from the sale of hogs at a record \$576 million, an increase of 30 percent or \$132 million over 1971. For 1973, a further increase in farm cash income from hogs is expected.

## 1972 Slaughter Second Highest

The downswing in the hog production cycle in 1972 reduced hog slaughter in Canada 7.5 percent below 1970 and in the U.S., 9.2 percent below 1970 (Table 1). In both Canada and the U.S., the level of hog slaughter in 1972 was the second highest on record with 1971 as the highest.

For the first ten weeks of 1973 (to March 10), federally inspected hog slaughter (gradings) in Canada was down only 3.4 percent from the corresponding weeks of 1972 -- down 4.5 percent in the East and only 2.1 percent in the West. For the same period, federally inspected hog slaughter in the U.S. was 5.8 percent below 1972.

Hog producers in Western Canada have increased their share of Canadian hog slaughter. For 1972, 45 percent of national gradings originated in Western Canada compared with an average of less than 40 percent during the 1960's. Canada's proportion of the total North American pork supply (Canada-U.S.



combined) in 1972 was 10.6 percent. This proportion has not changed greatly over the years.

TABLE 1 - ORIGIN OF HOG CARCASSES GRADED IN CANADA AND FEDERALLY INSPECTED HOG SLAUGHTER IN THE UNITED STATES

Provinces	1972			1973 (First 10 weeks)	
	Slaughter '000 head	Change from 1971 Percent	'000 head	Slaughter '000 head	% Change from same wks. 1972
Newfoundland	19.1	- 4.0	- 0.8	3,765	-0.4
P.E.I.	131.4	-14.6	- 22.4	26,903	-4.3
Nova Scotia	108.5	- 9.7	- 11.6	20,588	-8.9
New Brunswick	61.6	-13.8	- 9.9	11,550	-7.5
Quebec	1,881.2	- 2.4	- 46.3	364,901	-0.7
Ontario	2,927.9	- 6.8	-213.2	555,329	-6.7
Total EAST % Canada	5,129.7 (54.8)	- 5.6	-304.2	983,036 (54.1)	-4.5
Manitoba	1,197.3	-10.1	-133.9	247,072	+5.3
Saskatchewan	1,094.2	-12.5	-155.7	222,076	-0.7
Alberta	1,878.5	- 6.8	-136.9	355,262	-6.5
British Columbia	57.4	-30.9	- 25.7	9,178	-30.8
Total WEST % Canada	4,227.4 (45.2)	- 9.7	-452.2	833,588 (45.9)	- 2.1
Canada	9,357.1	- 7.5	-756.4	1,816.6 <sub>P/</sub>	- 3.4
United States	78,737.1	- 9.2	-7,930.1	14,647.0 <sub>P/</sub>	- 5.0
North America	88,094.2	- 9.0	-8,686.5	16,463.6	- 4.8

P/ = Preliminary

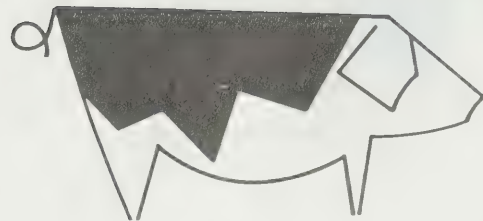
In 1972 there was a notable change in the stability of hog slaughter in Canada from earlier years. The relatively small reduction in hog slaughter in 1972 was unusual in view of a very unfavorable situation in 1971. In Western Canada, the reduction of 9.7 percent in 1972 slaughter is considerably less than the average decrease of 16 percent for the selected years 1960, 1963, 1966, and 1969 when downswings in Western hog slaughter occurred.

#### Pork Exports Highest in over two Decades

An important Canadian pork trend which reflects the availability of supplies, is the recent rise in pork exports, particularly to offshore countries.

For 1972, pork exports totaled 111.2 million pounds valued at \$63.7 million -- the highest since 1948 (Table 2). On the other hand, total imports of pork at

41.7 million pounds in 1972 also increased from 23.7 million pounds in 1971. Imports from the U.S. at 33.9 million pounds accounted for nearly all of the increase in 1972, with imports of hams and bellies recording the largest gains over 1971. Two-thirds of the 1972 increase in pork imports from the U.S. occurred during the five month period August to December. In general, the increase reflects a very strong demand for meat in Canada, reduced hog slaughter from a year earlier and increased off-shore pork exports. This situation resulted in Canadian hog prices moving close to a full import basis compared with U.S. hog prices during the latter part of 1972.



In the U.S., pork imports at 395 million pounds for 1972 compared with 356 million in 1971, have been increasing consecutively from the 1960 level of 171 million pounds. Denmark and Poland accounted for nearly all of the 1972 increase in U.S. imports of pork.

TABLE 2 - CANADA'S EXPORTS AND IMPORTS OF DRESSED PORK (Product Weight)

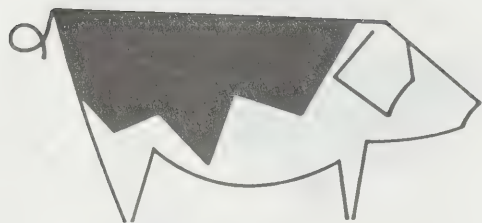
Year	Exports			Imports			Canada's Trade Balance
	U.S.A.	Other Countries	Total	U.S.A.	Other Countries	Total	
thousand pounds							
1968	54,237	4,883	59,120	36,428	8,646	45,074	+14,046
1969	48,453	6,453	54,906	66,901	8,772	75,673	-20,767
1970	58,693	10,269	68,962	22,935	7,896	30,831	+38,131
1971	66,358	28,842	95,200	13,950	9,722	23,672	+71,528
1972	59,626	51,602	111,228	33,893	7,834	41,727	+69,501
thousand dollars							
1972	31,702	32,039	63,741	15,675	2,830	18,505	+45,236

Source: Trade of Canada, Statistics, Canada.

The rise in pork exports to countries other than the U.S. is primarily accounted for by the increase of exports to Japan. For 1971, pork exports to Japan totaled 20.1 million pounds and by 1972 increased sharply to 45.5 million pounds. This is a relatively new trend in the disposition of Canadian pork exports.

The recent increase in live hog exports from Canada has also contributed to the overall increase in Canada's pork exports. For 1972, live non-purebred exports, nearly all of which go to the U.S. for slaughter, totaled 87,495 head valued at \$6.7 million. In 1969, exports totaled 16,196 head valued at \$1.2 million.





## Hog Prices

In 1972, hog prices in both Canada and the U.S. rose sharply to an all-time high. Rising hog prices continued into early 1973 (Table 3).

TABLE 3 - TORONTO, MONTHLY AVERAGE PRICE FOR INDEX 100: SEVEN U.S. MARKETS, MONTHLY AVERAGE PRICE FOR ALL BARROWS AND GILTS<sup>1</sup>

	Base Index 100 Toronto					Seven U.S. Markets				
	1971	1972	1973	\$ Change		1971	1972	1973	\$ Change	
				1971 -72	1972 -73				1971 -72	1972 -73
	Cdn. \$/cwt. dressed					U.S. \$/cwt. dressed				
January	25.98	31.58	45.52	5.60	13.94	21.10	32.26	42.22	11.16	9.96
February	26.46	34.38	49.64	7.92	15.26	25.23	33.26	47.00 <sup>2</sup>	8.03	13.75
March	24.44	33.99	53.95 <sup>2</sup>	9.55		22.25	30.60	50.95 <sup>2</sup>	8.35	
April	22.82	33.27		10.45		21.03	29.73		8.70	
May	23.94	34.89		10.95		22.64	32.88		10.24	
June	24.47	36.56		12.09		23.87	34.73		10.86	
July	25.56	38.99		13.43		25.77	37.10		11.33	
August	26.68	40.39		13.71		24.74	37.48		12.74	
September	26.39	40.46		14.07		24.56	37.79		13.23	
October	26.97	40.74		13.77		25.71	36.48		10.77	
November	27.37	41.21		13.84		25.18	36.09		10.91	
December	28.40	43.95		15.55		27.25	39.97		12.72	
Year	25.80	37.40		11.60		23.96	34.75		10.79	

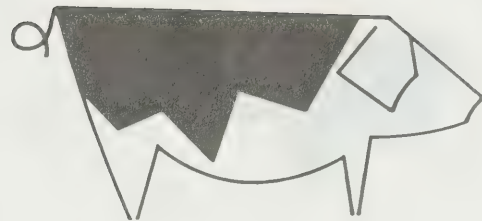
<sup>1</sup>Conversion rate of 77 percent for U.S. live price to dressed price.

<sup>2</sup>Average for first three weeks.

The rapid price upturn since November 1972 in both Canada and the U.S. has far exceeded price expectations. There has been a bigger jump in demand than can be explained by past relationships between hog prices, market supplies and such demand factors as income and population.

Part of the explanation for this is that hog slaughterings in both Canada and the U.S. have been averaging below year-earlier levels throughout 1972 and into 1973. However, studies of past relationships between declines in slaughter and resultant price increases reveal that a decline in slaughter of the magnitude currently experienced would not be expected to result in as much price increase as has recently been the case.

A particularly strong demand for other meats, notably beef, has had an upward influence on market hog prices. Rising per capita income in both Canada and the U.S., including social security benefits, have led more people to use meat in their daily eating patterns.



Furthermore, pork is more appealing to the consumer. Improved quality along with more sophisticated merchandizing techniques are making pork more attractive to the shopper. In both the U.S. and Canada, the higher plateau of pork production helps to assure a more regular supply of pork in meat counters. In addition, less seasonal variation in hog slaughter is helping to keep pork more regularly available on retail counters throughout the year.

Increased pork exports, especially to off-shore markets, such as Japan, are currently having some price effect on the Canadian market. However, when considered on a North American price basis the influence is marginal.

These factors help to explain the unprecedented demand for pork along with current high price levels.

#### Outlook

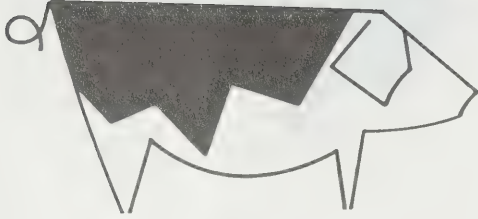
Hogs on farms in Canada, according to the March 1, 1973, Quarterly Hog Survey by Statistics Canada indicates 6,977 thousand hogs, down two percent from the same date one year earlier. Farmers reported that farrowings for December 1972 - February 1973 are two percent below the same period one year earlier. Farmers also indicated that farrowings in March - May 1973, and June - August (intentions) are expected to be up to one and four percent respectively from corresponding periods in 1972.

In Canada, hog gradings to March 17, 1973 are down four percent from the same period last year. Hog gradings for the first half of 1973 are expected to average below 1972 first half levels, but the year to year decrease will narrow by mid-summer. For the last half of 1973, hog gradings in Canada are expected to average above 1972 last half levels.

Hogs on farms in the U. S., according to the March 1, 1973 U.S.D.A. Hogs and Pigs report shows that the number of all hogs on farms in ten Corn Belt states is estimated at 42.7 million head, up only two percent from one year ago. Hogs kept for breeding stock were five percent higher. Hogs for market purposes were two percent higher.

In the Corn Belt, details on market hog numbers in the different weight groups on March 1, 1973, compared to March 1, 1972 showed that the number of hogs under 60 pounds was up seven percent; 60-119 pounds up four percent; and 120-179 pounds down two percent.

Based on March 1, 1973 pig surveys, hog producers in both Canada and the U.S. are planning to step up hog marketings following a cutback beginning in late 1971. The expansion in hog production at this time appears



relatively small in both countries, particularly in view of past upswings. Hog profits were very favorable in 1972 and continued favorable into 1973. High prices of feed concentrates and protein supplements may cause some change in farrowing plans during the balance of 1973, but this is still speculation. The normal pattern is that farrowing levels build up further once the production cycle has turned up which will mean increased slaughter in 1974. However, the expansion in North American hog production that is now underway is starting from a comparatively high supply base.

One of the key questions with respect to forthcoming hog prices is consumer demand for pork.

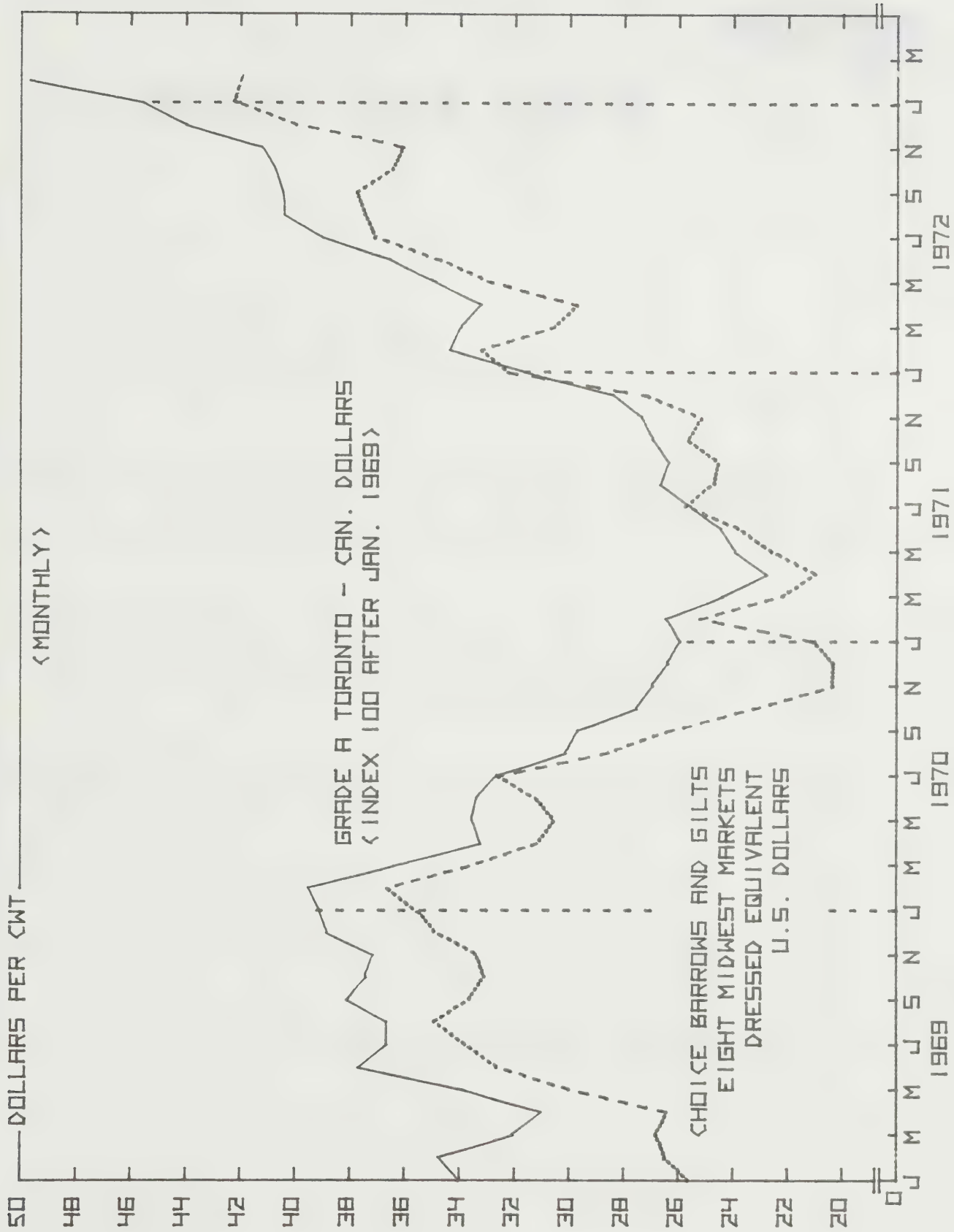
In the U.S., hog prices in mid-March this year at the seven U.S. markets averaged around \$39.50 per cwt live ((\$51.30 dressed). According to U.S. officials, prices are expected to fall off during the spring period and may show only a modest seasonal rise into the summer months. Summer prices in 1973 can be expected to average out close to the \$36.75 (dressed) average for June - September 1972, but fall prices in 1973 can be expected to average below the 1972 October - December average of \$37.50 (dressed) at the seven U.S. markets.

In 1973, U.S. hog prices will continue to have a major bearing on hog prices in Canada. Any significant price changes in the U.S. market will be reflected in prices received by Canadian hog producers (Figure 1).

For the year 1973, hog prices in Canada can be expected to average above prices in 1972. North American hog producers will likely step up farrowings throughout 1973. This points to higher slaughter and lower hog prices in 1974 over 1973.



# PRICE PER HUNDREDWEIGHT OF INDEX 100 HOGS AT TORONTO AND CHOICE BARROWS AND GILTS AT EIGHT MIDWEST MARKETS





# SHEEP AND LAMBS

J. H. Berry

Slaughter lamb prices in 1973 should average above 1972 levels. Wool prices are expected to remain strong.

## Situation

Statistics Canada's survey of sheep on farms, December 1, 1972, showed a two percent decline in total sheep numbers from a year earlier. Numbers declined four percent in the East, and one percent in the West. Sheep one year or older showed no change in eastern or western Canada, but lambs under one year declined 18 percent in the East, two percent in the West and seven percent for Canada as a whole.

Federally inspected slaughter of sheep and lambs in Canada (46 percent of commercial slaughter in 1971), after increasing 13 percent in 1971 over year-earlier levels, rose five percent in 1972 above 1971 levels (Table 1). Federally inspected slaughter in 1972 increased 16 percent in the West and declined three percent in the East.

The first ten weeks of 1973 show continuing increases in federally inspected slaughter, compared to one year earlier. Canada showed an increase of 9.9 percent, while eastern and western Canada increased 10.3 and 9.5 percent respectively.

In the U.S., commercial sheep and lamb slaughter declined four percent in 1972 from 1971 levels to a record low of 10.3 million head. This reflects a continuation of the steady downward trend in annual sheep and lamb slaughter in the U.S. since 1961. This trend has continued into 1973 with federally inspected slaughter for the first ten weeks of 1973 down 9.6 percent from the same period in 1972.

Since the early 1950's, imports of mutton and lamb have accounted for an increasing proportion of Canadian consumption:

	Consumption million lbs. <sup>1/</sup>	Imports million lbs. <sup>1/</sup>	Imports as % of consumption
1951-55	34.5	5.8	16.8
1956-60	46.9	17.1	36.5
1965	56.1	30.3	54.0
1970	79.8	63.7	79.8
1971	72.4	52.8	72.9

<sup>1/</sup> Cold dressed weight equivalent.

Source: Statistics Canada.

In 1972 imports of mutton and lamb on a product weight basis increased to 65.3 million pounds from 43.7 million pounds in 1971 (Trade of Canada). The increase in imports in 1972 was entirely from Australia, reflecting the health embargo against Australia in 1971.

Canada imports and exports a number of live lambs, primarily from the U.S. Imports from the U.S., primarily slaughter lambs moving into eastern Canada, increased for the third consecutive year in 1972, totaling 44,002 head. Exports, mostly feeder lambs from western Canada, increased to 13,888 head in 1972 after declining to 3,746 head in 1971.

The average price of Good Lambs at Toronto in 1972 was \$34.73 per cwt, compared to \$30.65 in 1971 and \$33.65 in 1970. For the first two months of 1973 prices were substantially above year-earlier levels (Table 2). Higher beef and pork prices and a rising consumer demand for meat contributed to the price strength. In the U.S., Choice slaughter lambs at San Angelo averaged \$30.70 per cwt in 1972, up \$3.54 from 1971.

World wool production declined for the third consecutive year during 1971-72. In Canada, 1972 spring production of shorn wool was estimated to be down one percent from 1971, while U.S. shorn wool production in 1972 was expected to be four percent below the previous year. After extremely low prices in 1971, wool prices in 1972 increased sharply.



TABLE 1 - FEDERALLY INSPECTED SLAUGHTER OF SHEEP AND LAMBS, 1971 AND 1972,  
AND FIRST TEN WEEKS, 1972 and 1973

	1971	1972	Percent Change 1971-72	First Ten Weeks		
				1972	1973	Percent Change 1972-73
	number		percent	number		percent
British Columbia	12,453	20,029	+60.8	1,852	2,815	+52.0
Alberta	45,199	52,885	+17.0	11,130	12,675	+13.9
Saskatchewan	3,033	2,673	-11.9	526	284	-46.0
Manitoba	21,665	19,854	- 8.4	3,744	3,114	-16.8
Total West (Percent Canada)	82,350 (40)	95,441 (44)	+15.9	17,252 (50)	18,888 (50)	+ 9.5
Ontario	95,224	98,037	+ 3.0	15,303	16,952	+10.8
Quebec	20,213	15,073	-25.4	1,763	1,858	+ 5.4
Atlantic Provinces	7,295	6,218	-14.8	250	281	+12.4
Total East (Percent Canada)	122,732 (60)	119,328 (56)	- 2.8	17,316 (50)	19,091 (50)	+10.3
Total F.I. Slaughter Canada	205,082	214,769	+ 4.7	34,568	37,979	+ 9.9
Total Commercial Slaughter	441,400					
F.I. as % of Commercial	(46)					
<u>U.S.A.</u>	000's			000's		
Total F.I. Slaughter	10,256.2	9,903.2	- 3.4	1,949.3	1,762.4	-9.6
Total Commercial Slaughter	10,729.2	10,288.7	- 4.1			
F.I. as % of Commercial	(96)	(96)				

TABLE 2 - AVERAGE MONTHLY PRICES OF GOOD LAMBS AT LETHBRIDGE AND TORONTO  
1971 TO 1973

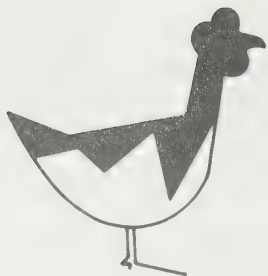
	Lethbridge			Toronto		
	1971	1972	1973	1971	1972	1973
- dollars per cwt -						
January	24.68	23.88	28.62	30.45	31.80	39.12
February	25.65	25.02	31.41	33.34	33.40	42.37
March	25.97	27.36		31.68	36.33	
April	25.97	28.96		32.50	36.73	
May	27.65	29.24		37.59	46.80	
June	28.90	31.97		41.10	41.73	
July	26.05	27.54		36.06	35.51	
August	24.10	26.12		31.44	33.05	
September	21.14	23.48		28.92	31.17	
October	21.49	23.71		27.85	32.15	
November	20.76	24.96		28.50	33.71	
December	21.59	26.64		28.00	35.08	
Year	22.65	25.55		30.65	34.73	

### Outlook

Considering current strength in both the lamb and wool markets, the economics of sheep production looks more promising this year than in recent years. Lamb prices are expected to show seasonal strength this spring, dropping off in the last half of 1973. However, throughout 1973 prices should average well above year-earlier levels. Strength in cattle and hog markets, combined with strong consumer demand for red meats, will have considerable impact on lamb prices.

Wool prices are expected to remain strong, as supplies continue relatively short. World wool production is expected to once again decline in 1972-73, for the fourth consecutive year. In addition, the current wool situation has led to a lower level of raw wool stocks at the producer level.

The sheep industry in Canada shows no evidence, as yet, of a pronounced build-up in numbers. Any significant increase in Canada's sheep production will require a reduction in lamb slaughter of substantial proportion. With slaughter above year-earlier levels and the December 1, 1972 survey of sheep and lambs on farms showing evidence of constant numbers of breeding stock and smaller numbers of lambs, there is no immediate prospect of a significant increase in flocks.



# POULTRY AND EGGS

J. G. Lussier

Production of broiler chickens during March, April and May is expected to total 152 million pounds, eight percent more than in 1972. Broiler production throughout the summer of 1973 is likely to exceed last year's production. Prices should remain firm. Stocks could increase.

Broiler turkey production appears headed for a 16 percent increase during March to June 1973 over the same 1972 period. Prices are expected to be steady.

Marketings of heavy hen turkeys are expected to decline slightly and those of heavy toms will be up nearly five percent in the next 5-6 months. Prices will remain firm if not advancing and there may be some imports.

Egg production is expected to be from four to eight percent in excess of table egg needs until June. Prices are likely to be steady to weak until June and should strengthen in July and August.

## Broiler Chickens

Broiler chicken production was eight percent greater during January and February of 1973 than during the same period of 1972. Egg settings and chick placements indicate production of about 152.3 million pounds during March, April and May, eight percent greater than the same period in 1972. There is no indication of a slowing of this upward trend.

Domestic disappearance is greater than a year ago but not enough to use all the production. Stocks of broilers, roasters and further processed chicken at 28 million pounds were 27 percent greater on February 1, 1973, than a year ago when they were 22 million pounds. Prices to the producers on March 1, 1973 were 24 percent greater than a year ago and 21 percent greater at the wholesale-to-retail level in Montreal. Although a very small part of this total supply, inspected chicken imports are also about double what they were a year ago.

There is no doubt that most of the strength is due to higher prices of red meats. However, it was the advance in feed prices that instituted higher prices by boards. Prices also advanced in the U.S. because production was cut back seven percent due to high feed costs. According to U.S.D.A. specialists, the U.S. rate of production is not expected to increase until feed prices become more stable with the approach of the new crops in the late summer. In view of the North American price formation, it is likely that the Canadian market will remain strong. It is generally agreed that extensive cold storage is too expensive for this particular commodity, except for minimum amounts to smooth out the trade. A build-up in stocks could be cumbersome.



Domestic disappearance in Canada continued strong, although there is some build-up in storage holdings. It is expected that domestic disappearance will remain firm, and prices will remain strong well into the summer.

Of more immediate concern to the broiler industry is the price situation in the United States which appeared to have suffered a fairly major setback during the second week of March due to consumer resistance to the sharply rising retail prices. Wholesale prices of eviscerated broilers are about 49 cents per pound in Canada and were 43-44 cents per pound in the U.S., until March 13 when they fell to 39-40 cents per pound.

When the difference between the U.S. and Canadian prices goes to eight cents per pound or more, it can trigger a flow of imports into Canada which affects the Canadian market.

#### Broiler Turkeys

Broiler turkey marketings were 1,332,000 head during January - February 1973, a gain of 11.5 percent over 1972. Placements of poults indicate marketings of 3,080,000 during the March - June 1973 period, if 85 percent of placements are marketed as broilers. Two years ago the ratio was 90 percent, but in late 1972 it dropped to 80 percent, because many birds appeared to be marketed at heavier weights in the heavy hen classification. The 3,080,000 poults to be marketed are equivalent to 25.1 million pounds, eviscerated weight. Both figures are 16.5 percent over the 1972 amounts and 13 percent less than in 1971.

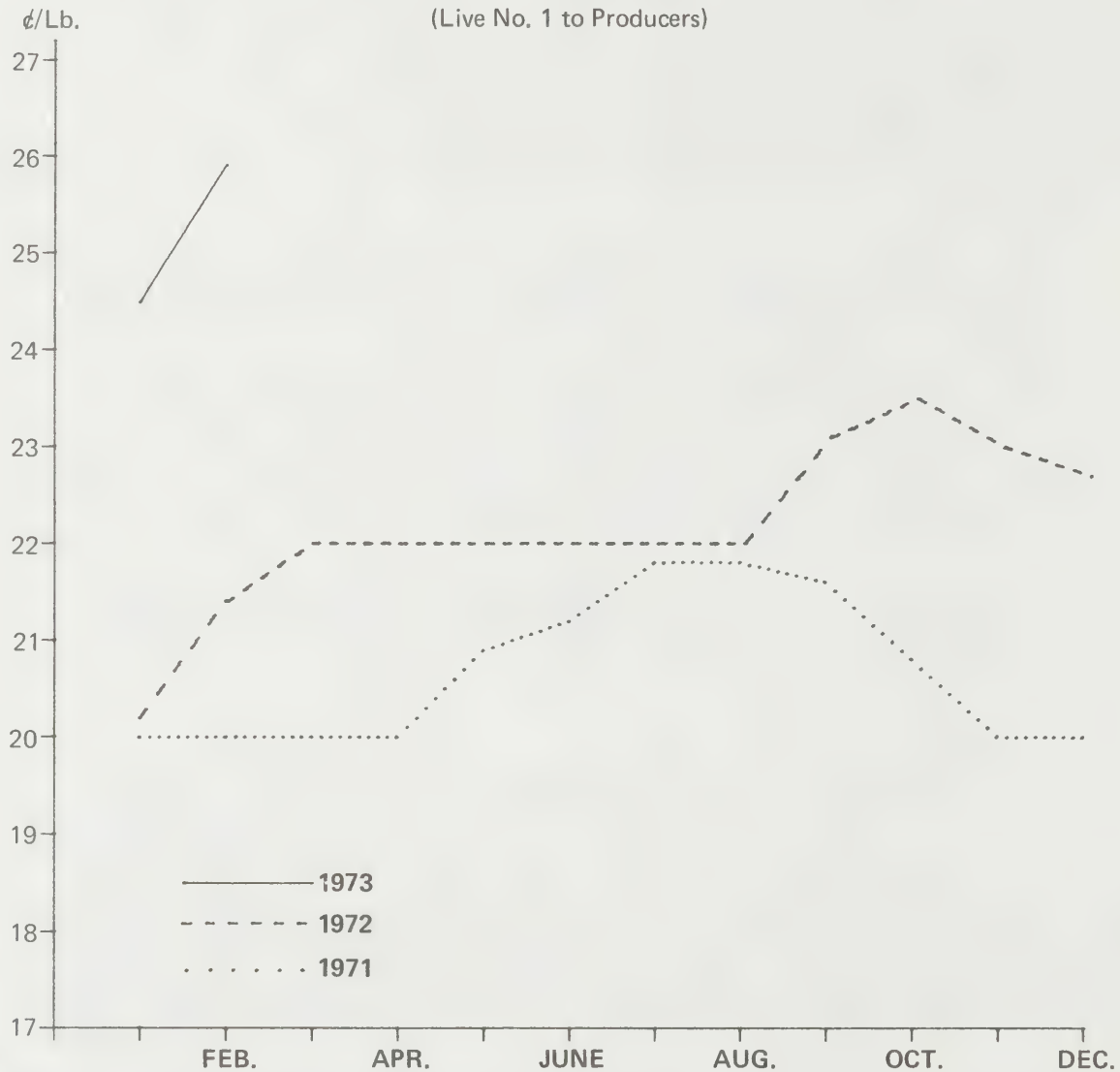
Stocks of broiler turkeys are low, but have increased from 3.9 million pounds on January 1, 1973, to 5.8 on February 1 and to 6.8 on March 1. Disappearance, although greater than a year ago, has not matched production which is a normal situation until Easter.

Producer prices in Canada were 29.5¢ per pound at London, on March 1, 1973, 18 percent higher than a year earlier, while wholesale prices were up 24 percent. The present rate of poult placements at 16 percent over 1972, would likely hurt the market, but a six to eight percent increase could be warranted.



# BROILER CHICKEN PRICES AT TORONTO

(Live No. 1 to Producers)



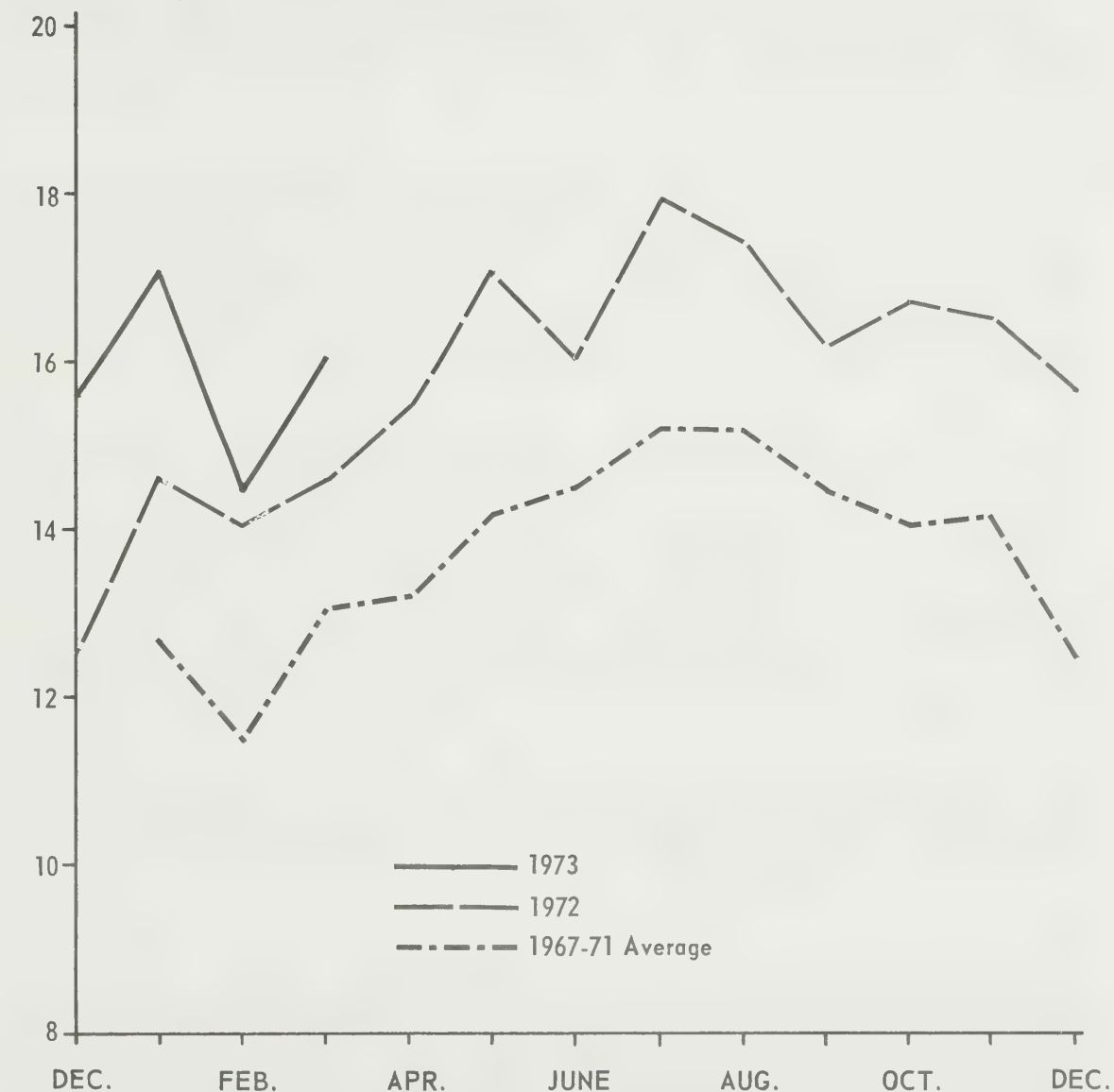
Agriculture  
Canada

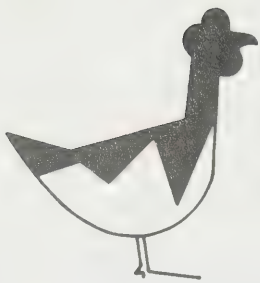
Economics  
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Direction de  
L'Economie

# BROILER CHICKEN MARKETINGS IN CANADA

Million  
head





It is expected that prices will remain firm to mid-April (Easter), but they will be no better than steady during late spring and summer. Fortunately, any weakness in price should be compensated by the resumption of live exports to the U.S. Producers in the U.S. are slightly increasing their output of fryer-roasters (6-9 pounds). However, the market is still short and those birds command a slight premium.

In 1971, production during March to June was more than 28 million pounds and disappearance was 26.8 million pounds, but prices were only 20¢ per pound to the producer.

### Heavy Turkeys

The slaughter of heavy turkeys during January and February 1973 was much heavier than last year, 7 million pounds compared to 4.5 million pounds. Imports during this period were 0.8 million pounds. Stocks of hens went up 2.4 million pounds from January 1 to March 1 while tom stocks were down 1.9 million pounds. Disappearance is much greater than a year ago. This increased disappearance is expected to continue, as turkey meat prices should remain in the same relation to red meat prices as they currently are.

A total of 722,000 hen turkeys are expected to be marketed during the March to July period. This is equivalent to 7,750,000 pounds of eviscerated turkey. From March to August, 1,315,000 tom turkeys are expected to be marketed which is equivalent to 28,000,000 pounds of turkey meat. Total production therefore should be 35.8 million pounds. Disappearance during those months of 1972 was 37.7 million pounds. Disappearance in the same period in 1973 should be at least as great and possibly five percent greater, so that close to four million pounds will have to come from stocks, imports and/or broiler turkeys fed out to hen weights.

Producer prices on March 1, 1973 at London were 28-30 cents per pound for hens and 30 cents per pound for toms compared to 25-25.5 and 25.5-26.5 a year earlier. Prices are expected to remain firm and may advance in keeping with increased costs.

### Eggs

From a high of 26.65 million layers in December and January, numbers are expected to drop to 26 million by April and 25.9 million in May and June. The rate of lay was 56 percent to December and 57 percent in January. It is expected to go up one percent per month until June and then drop to 59-60 percent for July and August. Layer numbers are expected to drop by one million during July and August. Egg production between now and June is expected to run from four to eight percent above normal requirements for table eggs. Normal production is considered to be 1,250,000 dozen per day of which the 70 percent that goes through registered stations is 875,000 dozen per day or 875,000 cases for a 30 day month.

The weighted price to producers for all eggs for the week ended March 10, 1973 was 44.1 cents per doz. compared to 23.9 cents per doz. a year earlier.



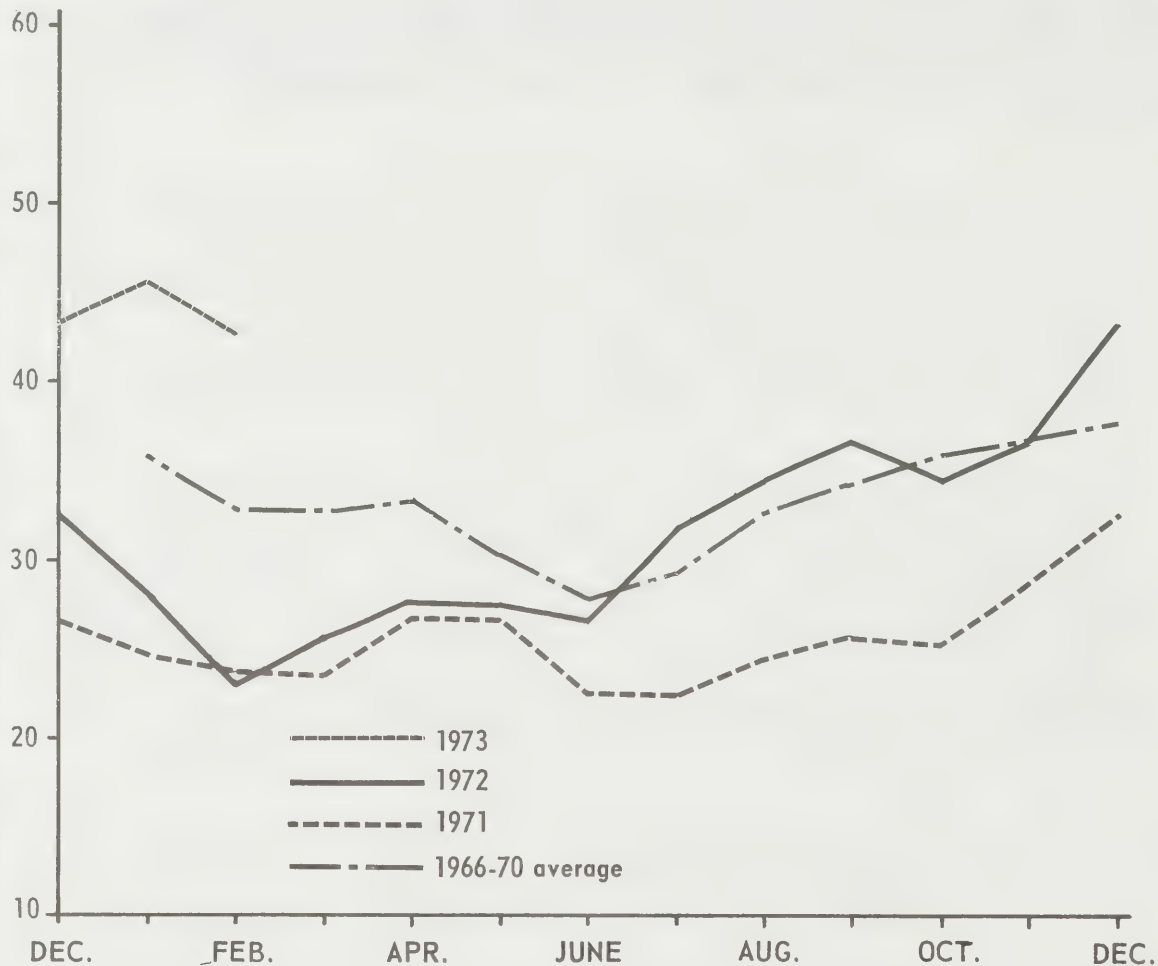
Prices for fresh eggs are likely to be lower after Easter. However, if prices remain firm, the disposal of surpluses will be more expensive and require higher levies. Prices should advance after June. Egg production in the United States has been decreasing since April 1972 and prices are strong. The U.S. egg breakers are operating below capacity because they consider prices too high for their trade. Egg breakers in Canada do not want to build up excessive inventories as in 1972 and are not breaking beyond their current requirements at present prices.



# EGG PRICES IN CANADA

(To producers at Registered Stations – Weighted for All Grades.)

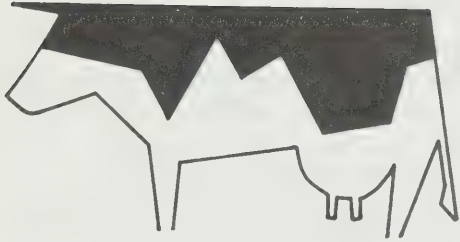
¢/doz.



Agriculture  
Canada

Economics  
Branch

Direction de  
L'Economie



# DAIRY

V. McCormick

Canadian milk production in 1973 will likely increase from 1972 levels. Sales of fluid milk and cream for fresh consumption are expected to continue to expand. More milk will be available for the manufacture of butter and skim milk powder. Cheddar cheese exports are likely to decline but exports of skim milk powder are expected to be greater.

## Situation

Milk production in Canada in 1972 was 17.7 billion pounds\*, a decline of less than one percent from 1971 levels. In the early months of 1972, there were indications that milk production was on the uptrend. This trend was reversed in the latter part of the year as adverse weather and crop conditions in many of the main milk-producing areas of Eastern Ontario, Quebec and the Atlantic Provinces resulted in poor quality pasture and hay and short feed supplies. Sharply rising feed costs also had an adverse affect on milk production.

Farm cash receipts from the sale of milk, cream and farm butter in 1972 totaled \$779 million (exclusive of subsidies), an increase of \$73 million, or 10 percent from 1971 levels. Higher prices for milk and cream and a slight increase in the volume of milk sold off farms contributed to the rise.

Commercial (retail) sales of fluid milk and cream rose by three percent on a volume basis from 1971 levels. Sales of partly skimmed milk (two percent butterfat) increased by 11 percent. Sales of skim milk also rose by 11 percent. Fluid cream sales in terms of milk expanded about three percent.

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\*Note: Statistics Canada reduced estimates of milk consumed in farm homes from 4.2 percent of total production in 1971 to 2.5 percent in 1972 to conform with the 1971 Census figures. Thus, the total milk production estimate for Canada in 1972 is not fully comparable with the 1971 figures, which has not been revised.



Output of creamery butter in 1972 was 291 million pounds, a rise of four million pounds, or one percent from 1971 levels. Preliminary estimates of creamery butter consumption are 320 million pounds, about three percent below 1971. Some eight million pounds of butter were imported in 1972 in order to maintain stable consumer prices.

Cheddar cheese output amounted to 192 million pounds in 1972, slightly above a year earlier. Output of "other" cheese made from whole milk was 57 million pounds, about the same as in 1971. Domestic consumption of cheddar cheese at 166 million pounds was about five percent above 1971 -- cheddar cheese, consumed as such, was little changed, but cheddar used in process cheese rose moderately. Consumption of "other" cheese, including imported cheeses, rose slightly. Exports of cheddar in 1972 totaled 18 million pounds, a drop of 11 million pounds, or 37 percent from a year earlier. Imports of specially-type and processed cheeses were 37.5 million pounds, about three million pounds above 1971. Exports of "other" cheese were close to three million pounds.

Output of evaporated whole milk declined to 242 million pounds, a drop of 22 million pounds, or eight percent from a year earlier. Consumption, at 245 million pounds, declined 11 million pounds, or four percent. Production and consumption of ice cream mix was 30.4 million gallons, up about two percent from 1971 levels. Output of skim milk powder rose to 343 million pounds, an increase of 42 million pounds or 14 percent from 1971 levels. Skim powder exports amounted to 115 million pounds, a decline of 126 million pounds from 1971. Domestic usage of skim milk powder, at 104 million pounds, declined five percent.

### Policy

The Federal Government, through the Canadian Dairy Commission, continues to support the dairy industry in 1973-74 by direct subsidy payments to producers of industrial milk and cream and market support for butter, cheese and skim milk powder.

"Offer-to-purchase" prices of dairy products by the Canadian Dairy Commission for the 1973-74 dairy year beginning April 1, (with 1972-73 in brackets) are as follows: butter, 71 cents per pound (68 cents); skim milk powder, 35 cents (29 cents); cheddar cheese, 60 cents (54 cents).

The rate of direct subsidy to producers of manufacturing milk and cream was increased 20 cents per hundred pounds of milk or 5.71 cents per pound of butterfat from 1972-73 levels bringing the current rate to \$1.45 per hundred pounds of milk, or 41.42 cents per pound of butterfat. The levy on quota deliveries of manufacturing milk in the 1973-74 dairy support year is 30 cents per hundred pounds. The increase of 20 cents in holdback from 1972-73 was necessary to make up the difference between the support price of skim powder and the price realized on export markets. The policy changes are equivalent to about 60 cents per hundred pounds of milk, if all the benefits are reflected in producers' returns.

### Outlook

Short feed supplies and high prices continue to limit milk production in

certain main milk producing areas in Canada with little improvement expected until cows are on pasture. There are no indications that there have been any significant changes in numbers of milk cows on farms. Thus, given favorable weather and crop conditions, Canadian milk production in 1973 will likely increase about three percent from 1972 levels to reach 18.3 billion pounds. The largest volume gain is expected to occur in Ontario. Increases in feed costs, labor and other farm inputs will likely limit increases in farmers' net income.



A larger share of the total milk production will be sold off farms in 1973 as farm-home consumption declines further. Milk and cream, in terms of milk, sold off farms in 1973 is forecast to reach 17.1 billion pounds, up about 600 million pounds from marketings in 1972.

Volume sales of milk and cream for fluid consumption are expected to increase 2.5 to 3.0 percent from 1972 levels. The trend towards lower-fat fluid products is expected to continue.

Cheddar cheese production will likely be close to 1972 levels, but consumption is expected to increase slightly. It is difficult at this time to determine the effect that the United Kingdom's entry into the EEC will have on Canada's cheese exports, but it is expected that they will be smaller than in 1972. Imports of Canadian cheddar into the United States are limited by quotas. Some small increases may occur in exports of cheese, cheddar and "other", to other countries, particularly the Caribbean area.

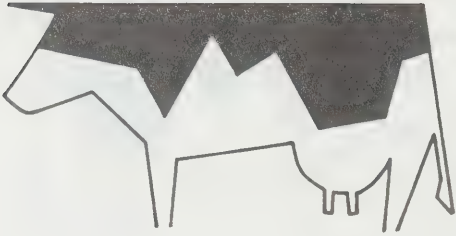
Production and consumption of other types of whole milk cheese, except cheddar, are expected to increase. Cottage cheese output will continue to move moderately above 1972 levels.

Production and consumption of ice cream mix is forecast to continue to rise by about two percent. Little change is expected in the production of concentrated whole milk products and consumption may decline slightly.

Considerably more milk will likely be available for the manufacture of creamery butter than was the case in 1972, because of the expected increase in total milk production and the production requirements for cheese. The decline in butter consumption which occurred in 1972 is expected to level off in 1973.

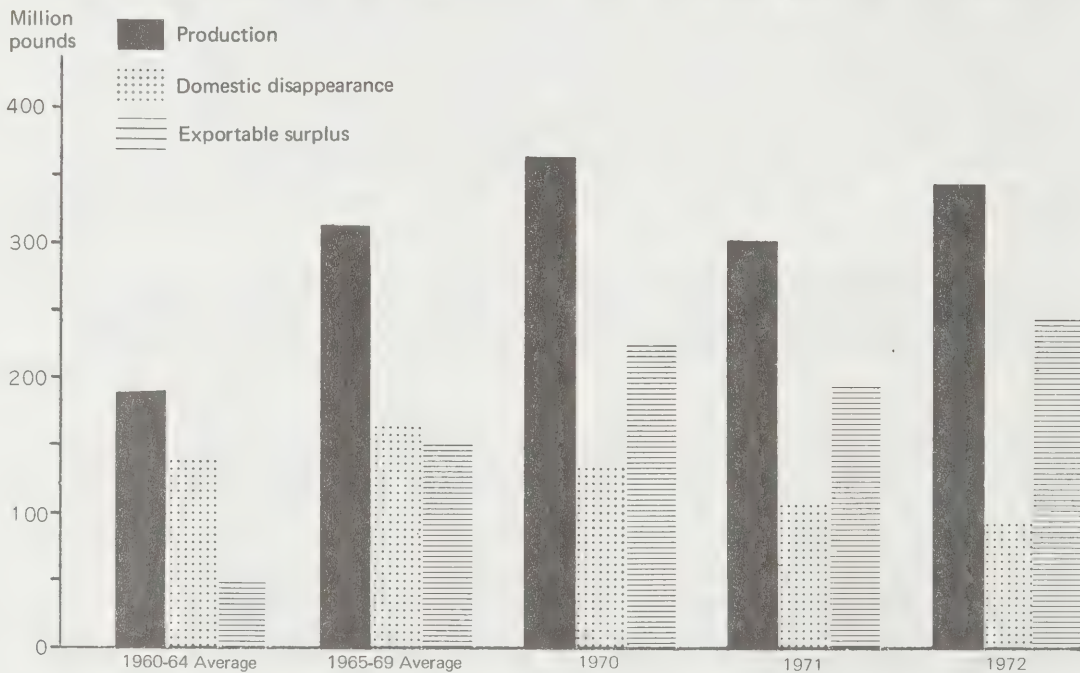
Skim milk powder production, reflecting the expected increase in butter output, may reach 370 to 375 million pounds. Domestic usage of skim powder is not likely to exceed 1972 levels, which would leave an exportable surplus of over 250 million pounds. Prices for skim powder on world markets will likely be lower than was the case in the latter half of 1972. Skim powder exports will likely require export assistance in 1973.





Internationally, the outlook for 1973 in developed countries is for a rise in milk production. The increased milk production in 1972 together with a weak butter market and falling consumption has resulted in a continuing rise in the level of butter stocks, particularly in the EEC. A preliminary forecast of butter stocks in the enlarged EEC indicates that on April 1, 1973, they are likely to be in the 770 to 880 million-pound range, compared with about 475 million pounds a year earlier. Skim powder stocks have also been building up in some countries. In general, cheese stocks in most cheese-producing countries were at a satisfactory level at the beginning of 1973. Oceania will be looking for new markets for surplus dairy products as its traditional United Kingdom market is progressively reduced.

## PRODUCTION, DOMESTIC DISAPPEARANCE AND EXPORTABLE SURPLUS OF SKIM MILK POWDER

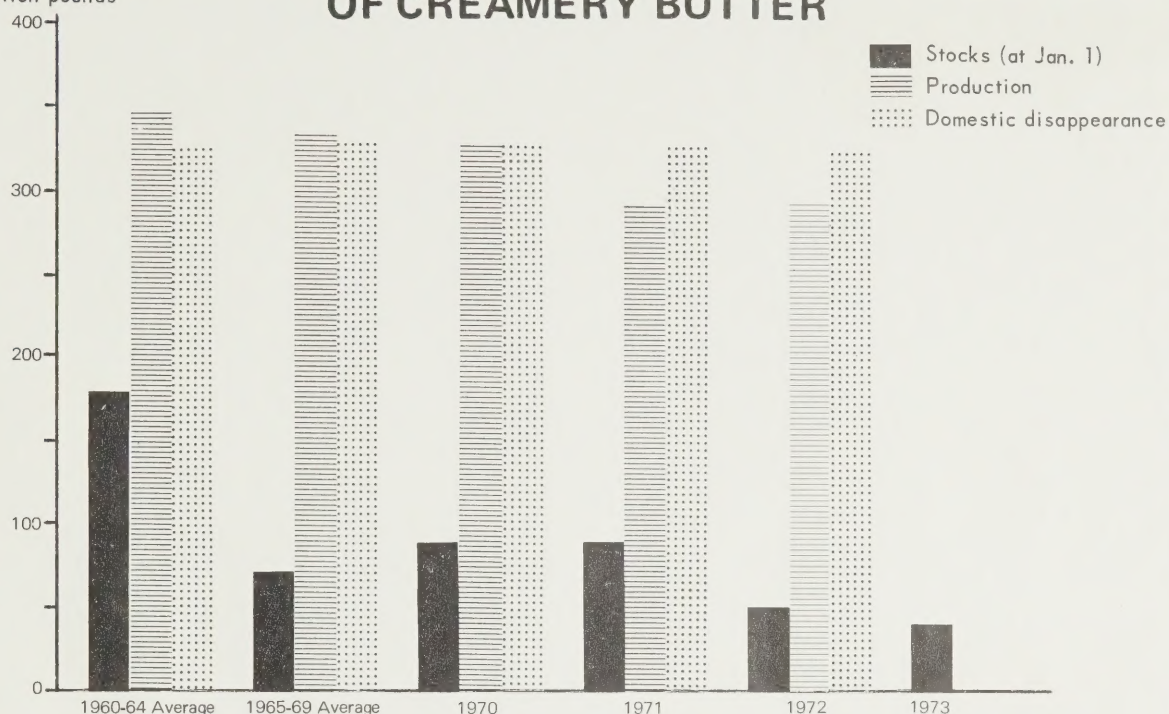


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# STOCKS, PRODUCTION & DOMESTIC DISAPPEARANCE OF CREAMERY BUTTER

Million pounds



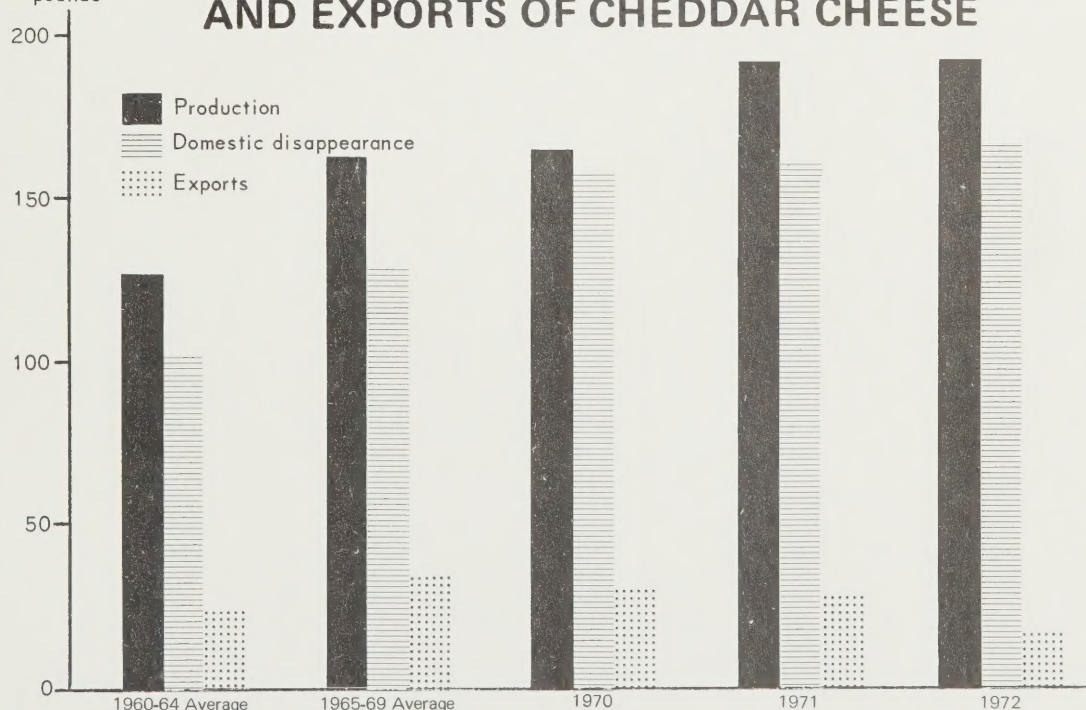
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# PRODUCTION, DOMESTIC DISAPPEARANCE AND EXPORTS OF CHEDDAR CHEESE

Million  
pounds



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